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Impact of Entrepreneurial Orientation on Corporate Profitability: Empirical Evidence from Nigerian Banking Sector

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ABSTRACT

Organizations are said to be operating in a turbulent and hyper competitive environment, and it is their desire to continue to operate successfully by creating and delivering superior value to their customers while also learning how to adapt to a continuous and dynamic business environment. This study examines the effect of entrepreneurial orientation on profitability in Nigerian banking sector. The target population was 15 deposit money banks firms listed in Nigerian Stock Exchange. Secondary source of data collection was utilized with the Central bank of Nigerian Statistical Bulletin, Nigerian stock exchange fact book and Annual financial reports and accounts of banks from 2005 to 2017. In analyzing the data, this study utilised the panel data. Findings from the results indicated that risk taking (p=0.013), proactiveness (p=0.000), autonomy (p=0.001) were found to be significant predictors of (profitability) at 0.05 significant. On the other hand, innovation (0.485), competitiveness (0.066) was found to be insignificant. Based on the findings of this study, the study concludes that entrepreneurial orientation significantly enhances corporate profitability. Based on the findings, the study recommends that management of banks should continually sustain its capital adequacy drive, ensure sound corporate governance practice and efficient service delivery.

Keywords: Entrepreneurship, Entrepreneurial Orientation, Profitability, Nigeria, Banks

Aims Research Journal Reference Format:
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1. INTRODUCTION

The current business environment has been characterised by stiff competition and rapid technological innovation and development. This dynamic environment has forced organisations to become innovative and responsive to the consequent challenges. Specifically, in order to keep pace with trends in technological advancements and to remain in business, organisations have to adopt innovative strategies that will result in high level of customers' satisfaction (Al-Swidi & Mahmood, 2012). The rising challenges in business environment have made organizations to adopt entrepreneurial strategies to remain in business, especially for competitive products and services where demands are fragile. Therefore, banks have been facing an increasing competition with rapidly changing customers' fragile demands and resistant. This situation has made banks to develop an entrepreneurial culture which encourages innovation and foresees future business opportunities (Al-Mansour, 2007). In other words, to survive and grow, Nigerian banks have to incorporate their customers' needs, feedbacks and expectations as the basis of any products and services design processes (Al-Swidi & Mahmood, 2011). Moreover, they are required to ensure that their products and services are of high quality and satisfactory innovation profile.

Entrepreneurial orientation in the Nigerian banks is important because they are faced with challenges of playing the fundamental role of financial intermediary in the economy. Poor performance of the banks can drive the market to lose confidence in ability to properly manage their assets and liabilities. Consequently, the Central Bank of Nigeria (CBN) provided Six Hundred and Twenty Billion Naira in 2009 to support about eight deposit money banks and prevent them from imminent collapse. It also established the Asset Management Company of Nigeria (AMCON) to buy the toxic Assets of these banks. The main reason for this quick intervention by CBN is that the financial sector plays a vital role of lubricating the economy (Nwakama, Okereke & Arewa, 2011).

In Nigeria, a survey by the Securities and Exchange Commission (SEC) in April 2003 showed that entrepreneurial orientation was at a rudimentary stage, as only about 40% of quoted companies, including banks had recognised sound entrepreneurial orientations. Specifically, for the financial sector, poor entrepreneurial orientation was identified as one of the major factors in virtually all known instances of a financial institution's distress in the country (SEC, 2003). It would be recalled that poor entrepreneurial orientation practices were one of the justifications for the CBN's introduction of the banking sector reform programme in 2005/2006 and subsequent reform programmes

Entrepreneurial orientation has been the area of interest by many researchers in the fields of entrepreneurship and management. A review of literature shows that, majority of the studies on Entrepreneurial Orientation (EO) have come from the Western European, American and Asian countries (e.g. UK, USA, Sweden, Australia, India, etc.) and a very few from Africa (Owoseni and Adeyeye, 2011). Therefore, when compared with studies outside Nigeria, our knowledge on the EO performance relationship is limited. Similarly, most previous studies investigated EO within uni-dimensional frameworks, which means only one issue was examined at a time rather than simultaneously exploring all dimensions of entrepreneurial orientation which include Innovativeness, Proactiveness, Risk Taking, Competitive Aggressiveness and Autonomy. Arising from the above, this study examined the role of entrepreneurial orientation in enhancing corporate performance in the Nigerian banking sector.

2.0 LITERATURE REVIEW

2.1 Conceptual Review

Entrepreneurial Orientation

Entrepreneurial orientation represent the process of pursuing and seizing opportunity along defined dimensions. Lumpkin and Dess (2001) opine that entrepreneurial orientation "refers to the processes, practices, and decision making activities", that lead to the essential act of entrepreneurship, involving intentions and actions. Stevenson and Jarillo (1990) argued that the dimensions of entrepreneurial orientation are behavioural processes that are amenable to development and learning, and are therefore associated with differing levels of educational or learning related contextual factors. Entrepreneurial orientation (EO) refers to entrepreneurial activity as a process at the firm level. EO can be inferred from the mode of strategic management. EO, however, "refers to the processes, practices, and decision-making activities that lead to new entry"or, briefly, "how the new entry is undertaken" (Lumpkin & Dess, 1996).

Entrepreneurial orientation (EO) of a firm is defined as firm that involves in technological innovation, undertakes risky ventures, and pursue opportunities proactively (Miller, 1983). EO involves a willingness to innovate to rejuvenate market offerings, take risks to try out new and uncertain products, services, and markets, and be more proactive than competitors toward new marketplace opportunities. Entrepreneurial orientation (EO) is the process of creating strategy that provides the basis for entrepreneurial decisions and actions for the organization (Rauch *et al.*, 2009). Lumpkin and Dess (1996) define EO as the policies and practices which enable a firm to adopt an entrepreneurial position when facing new business opportunities. Miller (1983) argued that entrepreneurial organizations are engaged in product/market innovation, and are concerned with risky ventures and are the first to come up with proactive innovations beating the competitors to the bushes.

Covin and Slevin (1988) suggest that EO is a strategic attitude reflecting the decisions and processes of the firm, but not explicitly limited to those that lead to new entry, but rather representative of an overall gestalt within an organization

Miller (1983) has introduced the EO construct and thereafter it is further developed by Covin and Slevin (1989, 1990) into a commonly accepted conceptualization of what it means for an organization to be 'entrepreneurial' (George and Marino, 2011). According to Miller (1983) an organization has an EO when it is simultaneously risk taking, innovative and proactive. Covin and Slevin (1988) further refined Miller's definition by stating that, "the entrepreneurial orientation of a firm is demonstrated by the extent to which the top managers are inclined to take business-related risks (the risk-taking dimension), to favour change and innovation in order to obtain a competitive advantage for their firm (the innovation dimension), and to compete aggressively with other firms (the proactiveness dimension) (Miller, 1983)." Many authors have adopted EO definitions similar to that of Miller (1983) and Covin and Slevin (1990), but others have made changes that alter the meaning of the construct. Lumpkin and Dess (1996) have extended the construct by including two dimensions.

Entrepreneurial orientation is a culture of innovativeness, proactiveness, risk-taking, competitive aggressiveness and autonomy (Lumpkin & Dess, 1996). Entrepreneurial firm is a firm that involves in product sort of innovation, always undertake risky types of ventures, and always the foremost to come up with hands-on and proactive innovation, defeat and beat competitors to a punch (Miller, 1983). This idea influenced and shaped the subsequent studies on EO (Covin & Slevin, 1989), and these three dimensional conceptualization of EO are generally accepted in the literature. However, Lumpkin and Dess (1996) suggested another two additional dimensions that are really critical to EO's perception; autonomy and competitive aggressiveness. The EO construct consists therefore of the dimensions innovativeness, risk taking, proactiveness, competitive aggressiveness and autonomy.

Innovativeness

Innovativeness and innovation are two closely related but different concepts. Innovativeness is a tendency, an individual's or organization's receptivity and proclivity to adopt new ideas, new thinking or solutions that lead to new opportunities. Lumpkin and Dess (1996) opined that it reflects a firm's tendency to engage in and support new ideas, novelty, experimentation and creative processes that may result in new products, services, or technological processes. In its original sense, innovativeness can be defined as the degree to which an individual or other entity is relatively earlier in adopting new ideas than the other members of a system. Similarly, it is the tendency to support new ideas, experimentation and creative processes (Lumpkin & Dess, 1996).

Innovativeness is the willingness to introduce newness and novelty through experimentation and creative processes aimed at developing new products and services, as well as new processes. Innovativeness refers to a firm's efforts to find new opportunities and novel solutions. It involves creativity and experimentation that result in new products, new services, or improved technological processes. Innovativeness is one of the major components of an entrepreneurial strategy. The job of managing innovativeness, however, can be quite challenging.

The innovativeness dimension of EO deals with new ideas, experiences, novelty and inventive processes which are part issues from current practice and trends related to technologies (Lumpkin & Dess, 1996; Wiklund & Shepherd, 2005). According to Dess and Lumpkin (2005), the dimension of innovativeness shows an organizational tendency to offer originality and creativity by carrying out research into new products, services, technology and fresh processes and system development (Dess & Lumpkin, 2005). Innovation is a firm's tendency to engage in and support new ideas, novelty, experimentation, and creative process that may result in new products, services, or technological processes

Proactiveness

Pro-activeness involves a firm taking initiatives that will help shape the environment to their own advantage. It is the firm's response to marketplace opportunities (Blesa and Ripolles, 2003). It generally reflects a firm's posture of anticipating and acting on future wants and needs in the marketplace, thereby creating a first-mover advantage vis-à-vis competitors (Lumpkin and Dess, 1996). Proactiveness is the ability of a firm to take the initiative and reach the unexplored market, exploit the emerging opportunity and shape the environment of a firm conveniently (Rauch *et al.*, 2009). Proactiveness refers to the forecasting and taking actions on future desires and demands in the marketplace, thereby forming a first-mover benefit against competitors (Lumpkin & Dess, 1996).

Pro-activeness entails "taking initiative by anticipating and pursuing new opportunities and by participating in emerging markets/ In terms of a specific conception of proactiveness, Lumpkin and Dess (1996) suggest a conceptualization of proactiveness as a continuum, whereby the opposite extreme of proactiveness is regarded as passiveness rather than reactiveness. According to this, passiveness is the "indifference or an inability to seize opportunities or lead in the marketplace" (Lumpkin & Dess, 1996). Proactiveness, however, is associated with a response to competitors, and is therefore different from passiveness (Lumpkin & Dess, 1996.). Osaze (2003), views pro-activity as defining one's goals and future and arriving there as planned; a state of mind and the will, largely driven by one's consciousness, to sustain a vision, to fulfill a mission, to attain a challenging goal and to achieve a define objective; as envisioning a future towards which one devices the strategic parameters for influencing, impacting and recreating the environment within which to operate in line with that vision; a determination to excel in one's own chosen field; and to pursue and attain one's own goal largely defined by one.

The proactive company focuses on the past, the present and the future with equal zeal, using history to explain and fully understand the present and to challenge and create its own proactive future. Proactiveness is an opportunity-seeking, forward-looking perspective characterized by high awareness of external trends and events and acting in anticipation thereof (Rauch *et al.*, 2009).

Competitive Aggressiveness

Competitive aggressiveness is an intense effort to outperform industry rivals. It is characterised by a combative posture or an aggressive response aimed at improving position or overcoming a threat in a competitive marketplace. Strategic managers can use competitive aggressiveness to combat industrial trends that threaten their survival or market position. Sometimes firms need to be forceful in defending the competitive position that has made them an industry leader. Firms often need to be aggressive to ensure their advantage by capitalizing on new technologies or serving new market needs.

Competitive aggressiveness is a firm's propensity to directly and intensely challenge its competitors to achieve entry or improve position, that is, outperform industry rivals in the marketplace. This connotes a trait in a firm that is reflected in its propensity to face up to and challenge its rivals directly and intensely and to outperform them in the marketplace. These include the use of strategies such as low price, differentiation, and targeting a competitor's weaknesses (Lumpkin & Dess, 1996), or in outspending competitors on marketing, product service and quality, sales promotion, advertising or manufacturing capacity. Furthermore, organizations, in their pursuit for aggressive growth, exhibit a clear and pronounced strategic focus of 'beating the competitors.

As conceptualized and operationalized here, firms are aggressive if they typically initiate actions to which competitors then respond; are often first to introduce new products, administrative techniques, operating technologies, etc.; and typically adopt a very competitive, "undo the- competitors" posture. More passive firms, on the other hand, typically respond to actions which competitors initiate; are seldom first to introduce new products, administrative techniques, operating technologies, etc.; and typically seek to avoid competitive clashes, preferring a "live-and-let-live" posture." (Covin & Covin, 1990).

The creation of resources represents proactiveness whereas the defense of existing resources is achieved by a competitively aggressive approach. The transition from creating to defending can be gradual or abrupt, thus we would not be surprised to see either case, or examples of both, occurring in a given firm.

Risk-taking

The concept of risk-taking has been long associated with entrepreneurship. Early definition of entrepreneurship centered on the willingness of entrepreneurs to engage in calculated business risks. Entrepreneurial activities like innovation, venturing, and strategic renewal entail considerable risk, because time, effort, and resources must be invested before the distribution of their returns is known. The propensity of the entrepreneur to accept risk is a very important factor for the entrepreneurial orientation construct (Davis, 2007). Risk is also experienced in terms of innovatively expanding into untried technologies or entering new markets with new products; effectively, risk is a fundamental aspect of entrepreneurship (Lumpkin & Dess, 1996).

According to Lumpkin and Dess (1996) risk taking propensity is a behavioural dimension of an entrepreneurial orientation along which opportunity is pursued. While risk is inherent to innovation as market potential of innovative products is highly uncertain; risk-taking brings about innovation because without risk, innovation is unlikely to happen (Sethi & Sethi, 2009). Risk taking as part of the strategy making process of an organization. EO is a strategic attitude and therefore risk taking should be part of it. However, scholars are not able to find consistent patterns when investigating risk taking in relationship with entrepreneurship. Risk taking refers to the degree to which managers are willing to make large and risky resource commitments in the interest of obtaining high returns by seizing opportunities in the marketplace (Lumpkin & Dess, 2001).

Risk taking involves taking daring actions by undertaking the uncertainty, borrowing heavily, and or committing significant economic resources to undertake the unknown'. Risk-taking shows the tendency of a business firm to take courageous measures such as embarking on a fresh project, transferring a lot of the organisation's resources to undertake ventures with highly unpredictable outcome (Lumpkin & Dess, 2001; Miller & Friesen, 1978). Risk-taking firms with an entrepreneurial orientation are often typified by risk-taking behaviour, such as incurring heavy debt or making large resource commitments, in the interest of obtaining high returns by seizing opportunities in the marketplace". From the above, any organisational pursuing innovation, strategic renewal and venturing efforts as part of its growth strategies must follow the risk-taking path by making decisions and taking action in the context of uncertainty as well as making substantial resource commitments without knowing what the consequences of their decisions and behaviors will be. This is as a result of the dynamic, discontinuous and turbulent business environment.

Autonomy

Autonomy is the independent action by an individual or team aimed at bringing forth a business concept or vision and carrying it through to completion. It is the degree to which organisational actors (people and equipment) remain free to act independently, make decisions and pursue opportunities. In an individual or team context, it can be described as taking independent action or the ability and will to be self-directed in the pursuit of opportunities (Lumpkin and Dess, 1996). It also refers to independent action undertaken by entrepreneurial leaders or teams directed at bringing about a new venture and seeing it to fruition.

Autonomy refers to an independent spirit, which is important for new-entry activity. In an organisational context it refers to action taken free from any organisational constraints. There are different levels of autonomy, depending on the types of actions or decisions a group can control (Gulowsen, 1972). There are two levels of autonomy, structural and strategic. Structural autonomy enables a team to solve a problem with self-determined means. Strategic autonomy refers to the extent to which a team has control over ends, i.e. its goals. Strategic autonomy enables a team to operate outside normal organisational constraints in addressing what it will accomplish and how it will achieve its objectives. Autonomy from an EO perspective refers to strategic autonomy. The above shows that level of autonomy enables teams not only to solve problems, but actually to define the problems and goals that will be met in order to solve the problem.

2.2 Theoretical Framework - Resource-Based View Theory

The fundamentals of the resource-based view (RBV) of the firm can be found in the work of Penrose (1959) on the “Theory of the Growth of the Firm”, which conceived the firm as an administrative organization and a collection of productive resources, both physical and human. Both material resources and human resources can provide the firm a variety of usefulness. Thus, the resource based theory of the firm combine’s concepts from organizational economics and strategic management (Barney, 1991). It addresses the resources and capabilities of the firm as critical determinants for organizational performance. Johnson, Scholes and Whittington, (2008) opined that the competitive advantage and superior performance of an organization is explained by the distinctiveness of its capabilities. Thus, the competitive advantage of a firm lies primarily in the application of a bundle of valuable tangible or intangible resources at the firm's disposal (Wernerfelt, 1984; Penrose, 1959). The term “resources” was conceived broadly as “anything that can be thought of as a strength or a weakness” of the firm and have been found to be important antecedents to products and ultimately to performance (Wernerfelt 1984).

This study was anchored on resource-based theory, which stipulates that in strategic management the fundamental sources and drivers to firms’ competitive advantage and superior performance are mainly associated with the attributes of their resources and capabilities which are valuable and costly-to-copy (Peteraf and Bergen, 2003). Firm resources include all assets (human and materials), capabilities, organisational processes, firm attributes, information, knowledge, etc. controlled by a firm that enable, the firm to conceive and implement strategies that improve its efficiency and effectiveness (Barney, 1995).Competitive advantage depends on the unique resources and capabilities that a firm possesses (Barney, 1995). The resource-based approach of the firm predicts that certain types of resources owned and controlled by firms have the potential to generate competitive advantage as well as superior firm performance.

2.3 Empirical Review

Ajayi (2016) conducted a research on The Impact of Entrepreneurial Orientation and Networking capabilities on the Export Performance of Nigerian Agricultural SMEs’. The research empirically assessed the relationship between entrepreneurial orientation, networking capability, institutional environmental factors and export performance of 235 Nigerian agricultural firms. The result affirms that there is a strong positive relationship between entrepreneurial orientation, networking capabilities, institutional environmental factors and the export performance of agricultural sector SMEs in Nigeria. The results suggest the ability of agricultural SMEs to be proactive, innovative, take risks, manages its networking capabilities and institutional environmental factors; all having a direct impact on the export performance of Nigerian Agricultural SME’s. Institutional environmental factors such as government policies, procedures and regulations can lessen the influence of entrepreneurial orientation and networking capabilities on Nigerian agricultural SMEs’ export performance

Nwekpa, Chukwuemeka and Ezezue (2017) did a study on entrepreneurial orientation and business performance amongst micro businesses in Nigeria . The study specifically examined whether EO significantly predicts increase in sales, assets and employees’ satisfactions of micro businesses. The approach adopted for the study was exploratory, where by a survey was done on a total of 273 micro businesses from four different sectors; Retail; ICT manufacturing and artisans. The data gathered therefrom were analysed using the Pearson’s Product Moment Correlation analysis. This study confirms the universal empirical evidence that EO has positive and significant relationships with business performance. The study also suggested that EO amongst micro businesses will lead to increase in sales, increase in assets and as well as increase in employees’ satisfaction of micro businesses.

Mohammed, Baba and Entebang (2014) conducted a research on Entrepreneurial Orientation and Financial Performance of Nigerian SMES: The Moderating Role of Environment. They investigated how EO dimensions; innovativeness, proactiveness, risk-taking and competitive aggressiveness affect financial performance of SMEs in Nigeria. In doing so, the study examined the moderating impact of key environmental characteristics: dynamism and hostility on these relationships.

The sample used was SMEs in Kano State,Nigeria, with the following characteristics; (a) having at least 10 employees and a maximum of 300 workers, (b) small and medium-sized enterprises, (c) standing alone, not a subsidiary or branch company (d) and based in Kano State, Nigeria. The respondents were the owner/managers of SMEs in the study area. A total of 352 owners/managers participated in the research. Data collected were analyzed, utilising multiple regressions and hierarchical multiple regression analysis implemented in SPSS version 17, statistical programme .Our findings indicate that hypotheses 1-4 are supported, while hypotheses 5-11 are partially supported except for that the moderating impact of environmental dynamism on the proactive- performance relationship, which was not found to be significant. These findings demonstrate that EO dimensions alone are not a significant determinant of financial performance for SMEs in Nigeria; it is being influenced by environmental dynamism and hostility.

Namusonge, Muturi and Olaniran (2016) conducted a research on The Role of Innovation on Performance of Firms on Nigerian Stock Exchange.. The central objective of the paper is to look at the relationship between innovativeness and firm performance in Nigeria. The target population is 176 firms listed in the Nigerian Stock Exchange with financial returns as at August, 2014. Out of the population, a sample of 60 firms was taken. Methods of statistical analyses include mean, standard deviation, and Pooled, Random and Fixed regression models based on the preferences suggested by the Hausman specification test results. The results of panel analysis of the relationship between Entrepreneurial Orientation dimension – Innovation, and performance of firms listed in the Nigerian Stock Exchange, with returns on assets and returns on equity as proxy revealed a negative relationship between innovation and returns on assets and innovation and returns on equity. This results confirmed a study conducted in2007 in Nigeria on 88 SMEs earlier mentioned. But, it negated the outcome of a study carried out among Kenya's manufacturing firms operating under the EAC in 2012, which showed that there existed a positive relationship between entrepreneurial orientation adoption and firm performance. Innovation was found to have negative relationships with both returns on assets, and returns on equity.

Otache and Mahmood (2015) did a research on entrepreneurial orientation and performance of Nigerian banks: The Mediating Effect of Teamwork. The study investigated the relationship between entrepreneurial orientation and performance of commercial banks in Nigeria and the mediating effect of teamwork on the relationship. Data were collected from 297 bank managers through a self reported questionnaire. Smart PLS-SEM was used to analyse the data collected and test the hypotheses formulated. The results of the structural model indicated a positive and significant relationship between entrepreneurial orientation and performance. Further evaluation of the structural model showed that teamwork fully mediated the relationship between entrepreneurial orientation and organisational performance. Hussain, Khan and Ali (2015) conducted a study on The Impacts of Entrepreneurial Orientation on Organizational Performance: Study of Pakistani SMEs. The study investigates the role of entrepreneurial orientation on firm performance. This study used survey data from a random sample of 213 small and medium sized enterprises (SMEs) located in Sialkot region, Province of Punjab Pakistan. The findings support the hypothesis that entrepreneurial orientation associates with firm performance.

Yassin and Abdel (2014) carried out a research on Entrepreneurial Orientation and Performance of Women who owned and Managed Micro and Small Enterprises in Somalia. The main aim of this study is to examine the role of entrepreneurial orientation on performance of women who owned and managed enterprises in Somalia. Specifically, the study investigated the effect of 1) innovation, 2) risk taking; and 3) Pro-activeness of entrepreneur orientation on business performance. By using purposive sampling, 200 women who owned companies in Somalia participated in the study. The findings indicate that innovation (β= .362, t=4.697, $p<.001$) and risk taking (β=.214, t=2.894, p=.004) were found to have statistically significant and positive effect on firm performance, whereas Pro-activeness has no influence on firm performance (β=.045, t=.576, p=.565).

Alex, Patrick Eshun and Amy (2015) conducted a research on entrepreneurial orientation dimensions and profitability nexus: evidence from micro enterprises in the retail sector in a developing country. The study examined the relationship between entrepreneurial orientation dimensions (proactivity, risk-taking and innovation) and profitability of micro enterprises in the retail sector in a developing country. The data for the study were obtained from micro enterprise owners who operate retail businesses in Madina-Accra in Ghana. The study adopted a cross-sectional survey design and employed quantitative technique in the collection and analysis of the data. The researchers used convenient and purposive sampling techniques to select 110 research participants for the study. The study employed descriptive statistics, Pearson's correlation and hierarchical regression to analyse the data. The study found a significant positive effect of proactiveness and risk-taking on profitability of micro enterprises that operate in the retail sector in Ghana. However, no relationship was found between entrepreneurial innovativeness and profitability.

3. METHODOLOGY

This study adopted the panel approach of research design. The study population comprised of fifteen (15) deposit money banks quoted on the Nigerian stock Exchange (NSE) within the period 2005-2017. Miaoulis and Michener (1976) suggested the use of the entire population for sample size if the population was small, i.e. using a census for a small population. Thus, a census study that comprises of fifteen (15) deposit money banks namely Access Bank PLC, Diamond Bank PLC, Eco Bank Nig. PLC, Fidelity Bank PLC, First City Monumental Bank PLC, First Bank of Nigeria PLC, and Guaranty Trust Bank PLC, Skye Bank PLC, Stanbic-IBTC Bank PLC, Sterling Bank PLC, Union Bank PLC, United Bank for Africa PLC, Unity Bank PLC, Wema Bank PLC and Zenith Bank PLC. Secondary data collection was used based on the nature of the study utilising historical data across 15 deposit money banks. The study employed panel data analysis. In general, panel data estimation in the study employed three different methods: The Common Constant Method, The Fixed Effects Method and The Random Effects Method

Model Specification

$$\begin{aligned}\mathrm{Profit}_{\mathrm{it}} = {} & \beta_0 + \beta_1 \mathrm{risktaking}_{\mathrm{it}} + \beta_2 \mathrm{autonomy}_{\mathrm{it}} + \beta_3 \mathrm{innovative}_{\mathrm{it}} + \beta_4 \mathrm{proactive}_{\mathrm{it}} + \beta_5 \mathrm{competitive}_{\mathrm{it}} \\ & + \varepsilon_{\mathrm{it}} \ldots\ldots\ldots\ldots\ldots (3.1)\end{aligned}$$

Where
Profitability = return on assets; measured by net income/book value of assets
Risk taking is measured by logarithm of capital
autonomy is measured by 1 (if there is separate management/board autonomy) and 0 (if there is combined management/board autonomy)
innovativeness is measured by logarithm of numbers branch
proactiveness is measured by logarithm of turnover
competitiveness is measured by logarithm of age of firm
ε = error term
i = represents individual bank
t = time dimension of the variables
β0 = intercept coefficient
β_1, β_2, β_3, β_4, β_5 are parameter estimates and the model apriori expectations are that $\beta i > 0 \; \forall$ i=1, 2,3,4,5

The above denotes that a positive relationship is expected between corporate profitability and the independent variables of risk taking, autonomy, innovativeness, proactiveness, competitiveness, size, structure and leverage.

4. RESULTS AND DISCUSSION

Test of Hypothesis

Main Hypothesis

Ho: - Entrepreneurial orientation does not significantly affect profitability of Nigerian banks.

Sub Hypotheses

H1a: Risk taking does not have significant impact on profitability of Nigerian banks.
H1b: Innovativeness does not have significant impact on profitability of Nigerian banks.
H1c: Proactiveness does not have significant impact on profitability of Nigerian banks.
H1d: Competitiveness does not have significant impact on profitability of Nigerian banks.
H1e: Autonomy does not have significant impact on profitability of Nigerian banks.

Regression Model (Entrepreneurial Orientation and Profitability)

Variable	fixed	random	ols	P>|t|
Risktaking	.04443566**	.04031441**	.03536252*	0.013
Innovation	.14925971	.11417895	.09411946	0.485
Proactive	.85362719***	.81429199***	.78751041***	0.000
Competitive	.03896357	.17606688	.20874506	0.066
Autonomy	.97482316**	.99389054**	1.035239**	0.001
cons	1.0492716	1.3100654**	1.3324336**	0.002
N	194	194	194	

legend: * p<0.05; ** p<0.01; *** p<0.001

Source	SS	df	MS
Model	7.78546374	8	.973182967
Residual	16.9291642	186	.091508996
Total	24.714628	194	.128055067

Number of obs	=	194
F(8, 185)	=	10.63
Prob> F	=	0.0000
R-squared	=	0.3150
Adj R-squared	=	0.2854
Root MSE	=	.3025

In examining the hypotheses model through a multivariate regression analysis, some indicators are employed. Among them is R^2 (R Square) Coefficient, which evaluates the goodness of the regression equation. It is also referred to as the coefficient of determination that reflects the level of variance of the dependent variable that is explained by the model variables. In the present study, the researcher makes use of R^2 to show the amount of variance of the dependent variable (profitability) that is explained by some of the dependent variable (corporate performance as measured by profitability), resulting from the joint effect of the independent variables, namely, entrepreneurial orientation (risk-taking, autonomy, innovativeness, proactiveness, competitiveness). According to the Hair *et al* (2012), if R^2 is equal to 1, that means that there is a perfect linear relationship between the dependent and the independent variables. On the other hand, if R^2 is equal to 0, this means that there is no linear relationship existing between the dependent and independent variables. As a result, the value under R^2 that shows the level of variance in the dependent variable (firm performance as measured by profitability) is explained by the model, which includes the variables of entrepreneurial orientation (risk-taking, autonomy, innovativeness, proactiveness, competitiveness).

The results revealed that, the value of R^2 in this model is 0.3150. This means that the model explains 31.5 % of the variance in bank performance as measured by profitability. This is considered a respectable result. STATA (version 12) provided the adjusted R^2 value in the output. In a situation where there is a small sample, R^2 value is a rather optimistic overestimation of the actual population value (Tabachnic & Fidell, 2007). R^2 indicates that 31.5 per cent of the variation in the dependent variable is explained by the variations in the independent variables. This means that the variation in bank performance, as measured by profitability, was statistically explained or accounted for by the regression equation. The results also show that this model is significant (p=0.000) indicating the validity of the model used.

In order to test the hypotheses, standard beta coefficients were utilised. Standard beta required the values of each different variables to be converted to the same scale for comparison of which beta value is the highest (while ignoring the negative signs). In this way, the standard beta coefficients can be compared to one another with the larger coefficient indicating the stronger impact of the variable on the dependent variable. The regression coefficient revealed that the variables were predictors of the model's dependent variable. In this model, only variables, risk-taking (p=0.013), proactiveness (p=0.000), and autonomy (p=0.001) were found to be significant at 0.05 significant. This means that they are predictors of corporate performance (profitability). While innovation (0.485) and competitiveness (0.066) were found to be insignificant. This means that they are not predictors to corporate performance. This is consistently in line with the previous findings of Ajayi (2016), Mohammed, Baba and Entebang (2014) as well as Namusonge, Muturi and Olaniran (2016). However, innovation and competitiveness have insignificant relationship with profitability of listed banks on the Nigerian stock exchange. This is also in line with the findings of Alex, Patrick and Amy (2015) who discovered a negative relationship between innovation and profitability.

5. CONCLUSIONS AND RECOMENDATIONS

This study sought to investigate the impact of entrepreneurial orientation on corporate profitability of quoted Nigerian banks. The components of EO include: Innovation, pro-active posture, competitiveness, risk-taking and autonomy. Based on the findings, it can be concluded that entrepreneurial orientation influences the corporate profitability of quoted Nigerian banks. This study has demonstrated that the profitability of banks can be enhanced through entrepreneurial orientation practices such as proactiveness, risk-taking and autonomy. Based on the findings, the study recommends that management of banks should continually sustain its capital adequacy drive (risk), sound corporate governance practice (autonomy) and service delivery (proactiveness). Similarly, concerted efforts should be made to expand and increase the number of branches thereby ensuring financial inclusion (innovation), sustainability of banks (competitiveness) and subsequently enhance profitability

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